

E.G. FISHER PUBLIC LIBRARY

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

JOHNSON, MURPHEY & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA, TENNESSEE

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E.G. FISHER PUBLIC LIBRARY
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E.G. FISHER PUBLIC LIBRARY
Directors/Officers
June 30, 2016

Executive Director (7-1-15 thru 4-30-16)..... Julie Forkner

Chairman Lynn Perkinson

Vice-Chairman..... Robert Sherwood

Secretary/Treasurer Dr. Joyce R. Baker

Director Lois Preece

Director Timothy Womac

Director R. Hal Buttram

Director Yanira Vasquez

Director JoAnn Parker

II. FINANCIAL SECTION



Certified Public
Accountants

301 N. Market
Chattanooga, TN
37405

Office: 423-756-1170
Fax: 423-756-1436
www.jmw-cpa.com

Members
American Institute
of Certified
Public Accountants

Paul Johnson, III, CPA

Brian T. Wright, CPA

Karen Hutcherson, CPA

Marianne Greene, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
E.G. Fisher Public Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund information of the E.G. Fisher Public Library, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the E.G. Fisher Public Library, as of June 30, 2016, and, the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in E.G. Fisher Public Library's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS and Schedule of E.G. Fisher Public Library's Contributions Based on Participation in the Public Employee Pension Plan of TCRS listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the E.G. Fisher Public Library's basic financial statements. The Introductory Section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Board of Directors
E.G. Fisher Public Library
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016, on our consideration of the E.G. Fisher Public Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the E.G. Fisher Public Library's internal control over financial reporting and compliance.

Johnson, Murphy & Wright, P.C.

Chattanooga, Tennessee
November 28, 2016

BASIC FINANCIAL STATEMENTS

E. G. FISHER PUBLIC LIBRARY
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 22,665
Investments	372,059
Total current assets	<u>394,724</u>
Non-current assets	
Capital assets	
Property and equipment, net of depreciation	15,317
Library collections, net of depreciation	2,645,975
Total non-current assets	<u>2,661,292</u>
TOTAL ASSETS	<u>\$ 3,056,016</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>\$ 34,148</u>
 LIABILITIES	
Current liabilities	
Accounts payable	\$ 9,400
Accrued liabilities	6,423
Total current liabilities	<u>15,823</u>
Non-current liabilities	
Net pension liability	<u>168,507</u>
TOTAL LIABILITIES	<u>\$ 184,330</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>\$ 33,778</u>
 NET POSITION	
Investment in capital assets	\$ 2,661,292
Unrestricted	<u>210,764</u>
TOTAL NET POSITION	<u>\$ 2,872,056</u>

E. G. FISHER PUBLIC LIBRARY
Statement of Activities
Year Ended June 30, 2016

		<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services and Fines</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
GOVERNMENTAL ACTIVITIES				
Program services	\$ 849,259	\$ 19,186	\$ -	\$ (830,073)
Support services	<u>14,428</u>	<u>-</u>	<u>41,049</u>	<u>26,621</u>
Total governmental activities	<u>\$ 863,687</u>	<u>\$ 19,186</u>	<u>\$ 41,049</u>	<u>(803,452)</u>
GENERAL REVENUES				
Investment earnings				5,943
Miscellaneous				385
Grants and contributions - unrestricted				<u>886,165</u>
Total general revenues				<u>892,493</u>
Change in net position				89,041
Net position - beginning				<u>2,783,015</u>
Net position - end				<u>\$ 2,872,056</u>

E. G. FISHER PUBLIC LIBRARY
Governmental Funds
Balance Sheet
June 30, 2016

	Total Governmental Funds
ASSETS	
Cash	\$ 22,665
Investments	<u>372,059</u>
TOTAL ASSETS	<u><u>\$ 394,724</u></u>
LIABILITIES	
Accounts payable	\$ 9,400
Accrued expenses	<u>6,423</u>
TOTAL LIABILITIES	<u><u>\$ 15,823</u></u>
FUND BALANCES	
Unassigned	<u><u>\$ 378,901</u></u>

E. G. FISHER PUBLIC LIBRARY
Reconciliation of Fund Balance to the Statement of Net Position
June 30, 2016

Total fund balance per governmental funds Balance Sheet	\$ 378,901
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,661,292
Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(168,137)</u>
Net position of governmental activities	<u>\$ 2,872,056</u>

E. G. FISHER PUBLIC LIBRARY
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
June 30, 2016

	Total Governmental Funds
REVENUES	
Local governmental appropriations	\$ 289,471
Grants and contributions	41,049
Fines and fees	15,783
Net increase in the fair value of investments	5,943
Miscellaneous	<u>3,788</u>
Total revenue	<u>356,034</u>
EXPENDITURES	
Program services	384,066
Support services	<u>14,428</u>
Total expenditures	<u>398,494</u>
Excess (deficiency) of revenues over (under) expenditures	(42,460)
FUND BALANCES - beginning	<u>421,361</u>
FUND BALANCES - end	<u>\$ 378,901</u>

E. G. FISHER PUBLIC LIBRARY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
June 30, 2016

Net change in fund balances for total governmental funds	\$ (42,460)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and gain on disposal exceeded depreciation in the current period.	132,676
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Pension expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities.	<u>(1,175)</u>
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Change in net position of governmental activities	<u>\$ 89,041</u>
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E.G. FISHER PUBLIC LIBRARY
Notes to Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the E.G. Fisher Public Library have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant accounting policies:

A. Reporting Entity

E.G. Fisher Public Library is a non-profit entity which operates under provisions of the laws of Tennessee. The Entity is governed by an executive director and board members who jointly oversee the general administrative responsibilities. Because it is primarily funded by allocations from local governments and provides services to the public, it is classified as a "special purpose" government.

The City of Athens and McMinn County participate in the joint operation of the E.G. Fisher Public Library. The McMinn County Library Board consists of seven members, of which four are appointed by the County Commission and three are appointed by the City Council. E.G. Fisher Public Library, however, does not qualify as a component unit of either the City of Athens or McMinn County and has no component units based on the criteria of GASB Statement No. 14 as amended by GASB Statement No. 39.

B. Basic Financial Statements

The basic financial statements include both government-wide (based on the Entity as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities.

Government-wide Statements - The Entity's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for the Entity applicable to governmental units which are generally accepted in the United States of America.

The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Entity's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational requirements of a particular program. The net cost (by function) is normally covered by general revenue (unrestricted grants and contributions, interest income, etc.).

This government-wide focus is designed to view the E.G. Fisher Public Library as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

Fund Financial Statements - The fund financial statements provide information about the Entity's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on the major governmental fund.

The Entity reports the following major governmental fund:

General Fund - This is the Entity's primary operating fund. It accounts for all financial resources of the Entity, except those required to be accounted for in another fund.

C. Measurement Focus - Basis of Accounting

The government-wide financial statements are presented in an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the Entity's assets, deferred outflows, liabilities, and deferred inflows, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues are reported in two categories 1) charges for services; and 2) operating grants and contributions.

Government Fund Financial Statements

Government fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The Entity has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to financial expenditures of the current period. According, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Entity considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences claims and judgments are recorded when payment is due.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles but are not required to be included in this presentation. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end. Budgeted amounts are as originally adopted, or as amended by the Board prior to June 30, 2016.

E. Cash and Cash Equivalents

For financial statement purposes, the Entity considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

F. Investments

The Entity carries investments in equity securities with readily determinable fair values and all debt securities at fair value in accordance with Governmental Accounting Standards Board (GASB) No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Unrealized gains and losses are included in the Statement of Activities.

For investment securities, the related investment activity (interest, dividends, gains and losses) is reported as revenue in the period in which the activity is recognized.

During the year ended June 30, 2016, the Entity did not own any types of securities other than those permitted by statute.

G. Prepayment of Expenditures

Governmental fund expenditures for insurance and similar services extending over more than one accounting period are not allocated between accounting periods but are accounted for as expenditures of the period of acquisition.

H. Inventories

Supplies and materials are recorded as expenditures/expenses at the time items are purchased and are not inventoried at year-end due to lack of materiality.

I. Restricted Assets

Certain resources can be classified as restricted assets on the Statement of Net Position because their use is limited. At year-end, there were no restricted assets to be reported.

J. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight line method over the estimated useful lives of the assets.

The Entity's collections and books are capitalized and depreciated under group methods for lives ranging from 3 to 7 years.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Entity has only one type of item that qualifies for reporting in this category: deferred outflows related to pensions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Currently, the Entity has only one type of item that qualifies for reporting in this category: deferred inflows related to pensions.

L. Compensated Absences

Vacation balances are booked and recorded on the financial statements as an accrued liability.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Edward Gauche Fisher Public Library's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Edward Gauche Fisher Public Library's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

N. Net Position

Net position is the residual of all elements presented in the Statement of Financial Position (i.e., assets + deferred outflows - liabilities - deferred inflows). Net investment in capital assets represent capital assets reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction or improvement of those assets. Restricted net position represents restricted assets reduced by any related outstanding debt.

O. Fund Balance

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* established standards for fund balance classifications for state and local governments and requires that resources be classified for accounting reporting purposes into the following fund balances:

Nonspendable: The Library cannot spend these amounts due to form.

Restricted: The State or other sources can restrict funds to specific purposes by externally imposing restrictions or imposing by law through constitutional provisions or enabling legislation.

Committed: The Board of Directors has the authority to commit funds for a specific purpose. Any funds set aside as committed fund balance requires, at a minimum, the passage of a resolution by a simple majority vote. An ordinance may also be used.

Assigned: The Board of Directors has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as assigned fund balance requires a simple majority vote and must be recorded in the minutes.

Unassigned: Amounts not classified as nonspendable, restricted, committed, or assigned.

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance (Continued)

When restricted, committed, assigned and unassigned funds are available for use, restricted funds should be spent first, committed funds second, assigned funds third and unassigned funds last.

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Q. Income Tax Status

Based upon a determination letter received from the Internal Revenue Service effective March 5, 1996, the Entity is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Entity's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, the Entity qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

R. Contributed Facilities and Services

The Entity occupies, without charge, premises owned by the McMinn County Library Board. The estimated fair rental value of the premises is not included in the accompanying statements.

A number of unpaid volunteers have made significant contributions of their time to develop the Entity's programs. The value of this contributed time is not reflected in these statements as no reliable basis exists for determining an appropriate amount.

S. Events Occurring after Reporting Date

The Entity has evaluated events and transactions that occurred between June 30, 2016, and November 28, 2016, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure the Entity's deposits may not be returned to it. The Entity does not have a deposit or investment policy for custodial credit risk, however, the State of Tennessee requires its governmental entities to either meet the deposit and collateralization regulations under TCA Title 9, Chapter 4, Parts 1 and 4, or as provided in the collateral pool. As of June 30, 2016, the carrying amount of the Entity's deposits was \$22,665 and the bank balance was \$25,163. None of the Entity's bank balance was exposed to custodial credit risk as uninsured or uncollateralized due to the fact that all of its deposits are fully collateralized.

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**Investments**

The Entity has an agreement with Citizens National Bank to oversee the investment and management of the Entity's investment funds. These investments are held by the counterparty, or by its trust department or agent, but not in the Entity's name. Investments are presented in the financial statements in the aggregate at fair value and consist of the following:

	<u>Fair Value</u> <u>June 30, 2016</u>	<u>Fair Value</u> <u>June 30, 2015</u>	<u>Change in</u> <u>Fair Value</u>
Cash equivalents	\$ 7,174	\$ 13,186	\$ (6,012)
Mutual funds	188,421	224,208	(35,787)
Fixed income securities	<u>176,464</u>	<u>173,222</u>	<u>3,242</u>
	<u>\$ 372,059</u>	<u>\$ 410,616</u>	<u>\$ (38,557)</u>

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Government activities:				
Capital assets being depreciated:				
Property and equipment:				
Furniture and fixtures	\$ 16,686	\$ -	\$ -	\$ 16,686
Equipment	49,996	2,825	(2,161)	50,660
Library collections	<u>3,835,988</u>	<u>621,519</u>	<u>(223,216)</u>	<u>4,234,291</u>
Total capital assets being depreciated	<u>3,902,670</u>	<u>624,344</u>	<u>(225,377)</u>	<u>4,301,637</u>
Less accumulated depreciation for:				
Property and equipment:				
Furniture and fixtures	14,055	509	-	14,564
Equipment	32,680	6,946	(2,161)	37,465
Library collections	<u>1,327,319</u>	<u>484,213</u>	<u>(223,216)</u>	<u>1,588,316</u>
Total accumulated depreciation	<u>1,374,054</u>	<u>491,668</u>	<u>(225,377)</u>	<u>1,640,345</u>
Total capital assets being depreciated - net	<u>2,528,616</u>	<u>132,676</u>	<u>-</u>	<u>2,661,292</u>
Governmental activities capital assets - net	<u>\$ 2,528,616</u>	<u>\$ 132,676</u>	<u>\$ -</u>	<u>\$ 2,661,292</u>

Capital assets net of accumulated depreciation is disclosed as follows:

Property and equipment	\$ 15,317
Library collections	<u>2,645,975</u>
Total	<u>\$ 2,661,292</u>

Depreciation expense charged to programs is as follows:

Program services	<u>\$ 491,668</u>
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NOTE 4 - DEFERRED OUTFLOWS RELATED TO PENSIONS

Deferred outflows related to pensions at June 30, 2016, consists of the following:

June 30, 2015 balance	\$ 12,177
Actuarial experience different from assumption	8,207
Investment earnings different than assumption	19,853
2015 employer contributions	(12,694)
Amortization for actuarial experience	(2,052)
Amortization for investment earnings	(3,971)
2016 employer contributions	12,111
Estimated different than actual contributions	<u>517</u>
Total	<u>\$ 34,148</u>

NOTE 5 - NET PENSION LIABILITY

Net pension liability at June 30, 2016, consists of the following:

Net pension liability at June 30, 2015	\$ 134,101
Employer contributions made during 2015	(12,694)
Pension expense	13,803
Actuarial experience different than assumption	8,207
Amortization of actuarial experience	2,370
Investment earnings different than assumption	19,853
Amortization of investment earnings	<u>2,867</u>
Total	<u>\$ 168,507</u>

NOTE 6 - DEFERRED INFLOWS RELATED TO PENSIONS

Deferred inflows related to pensions at June 30, 2016, consists of the following:

June 30, 2015 balance	\$ 45,038
Amortization of deferred inflows for actuarial experience	(4,422)
Amortization of deferred inflows for investment earnings	<u>(6,838)</u>
Total	<u>\$ 33,778</u>

NOTE 7 - FUND BALANCES

Fund balances are as follows:

Unassigned: In accordance with generally accepted accounting principles, the General Fund is the only fund at the Library that reports amounts for unassigned fund balance. This classification represents fund balance that is not nonspendable and has not been committed to specific purposes within the General Fund.

NOTE 8 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position:

The governmental fund balance includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation states that, "Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(168,137) difference are as follows:

Deferred outflows related to pensions	\$ 34,148
Net pension liability	(168,507)
Deferred inflows related to pensions	<u>(33,778)</u>
Net adjustment	<u>\$ (168,137)</u>

Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities:

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between net changes in fund balances for total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that, "Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$132,676 difference are as follows:

Capital outlay	\$ 624,344
Depreciation expense	<u>(491,668)</u>
Net adjustment	<u>\$ 132,676</u>

Another element of that reconciliation states that, "Pension expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities." The details of this \$(1,175) difference are as follows:

Pension expense	\$ (13,803)
Contributions	12,111
Prior year estimated versus actual	<u>517</u>
Net adjustment	<u>\$ (1,175)</u>

NOTE 9 - RISK MANAGEMENT

The Entity is exposed to various risks of loss to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Entity carries commercial insurance. For insured programs, there have been no significant reductions in insurance coverage for the current year or the three prior years.

NOTE 10 - CONCENTRATIONS

The Entity is highly dependent on government funding that could be discontinued at anytime. The Entity believes that it is highly unlikely that funding would be discontinued because of the nature of the services provided.

NOTE 11 - PENSION PLAN

General Information about the Pension Plan

Plan description

Employees of Edward Gauche Fisher Public Library are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

NOTE 11 - PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Employees covered by benefit terms

At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>3</u>
	<u>11</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Edward Gauche Fisher Public Library makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined Contribution (ADC) for Edward Gauche Fisher Public Library were \$12,694 based on a rate of 10.41 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Edward Gauche Fisher Public Library's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Edward Gauche Fisher Public Library's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

NOTE 11 - PENSION PLAN (Continued)

Net Pension Liability (Asset) (Continued)

Actuarial assumptions (Continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Edward Gauche Fisher Public Library will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 11 - PENSION PLAN (Continued)**Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at 6/30/14	\$ 576,768	\$ 442,667	\$ 134,101
Changes for the year:			
Service cost	14,487	-	14,487
Interest	44,133	-	44,133
Differences between expected and actual experience	8,207	-	8,207
Contributions - employer	-	12,694	(12,694)
Contributions - employees	-	6,097	(6,097)
Net investment income	-	13,833	(13,833)
Benefit payments, including refunds of employee contributions	(5,642)	(5,642)	-
Administrative expense	-	(203)	203
Other changes	-	-	-
Net changes	61,185	26,779	34,406
Balances at 6/30/15	\$ 637,953	\$ 469,446	\$ 168,507

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of Edward Gauche Fisher Public Library calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Edward Gauche Fisher Public Library's net pension liability (asset)	\$ 246,260	\$ 168,507	\$ 102,879

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**Pension expense**

For the year ended June 30, 2016, Edward Gauche Fisher Public Library recognized pension expense of \$13,803.

NOTE 11 - PENSION PLAN (Continued)**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)****Deferred outflows of resources and deferred inflows of resources**

For the year ended June 30, 2016, Edward Gauche Fisher Public Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actuarial experience	\$ 6,155	\$ 13,266
Net difference between projected and actual earnings on pension plan investments	15,882	20,512
Contributions subsequent to the measurement date of June 30, 2015	<u>12,111</u>	<u>(not applicable)</u>
Total	<u>\$ 34,148</u>	<u>\$ 33,778</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2015," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2017	\$ (5,237)
2018	\$ (5,237)
2019	\$ (5,237)
2020	\$ 3,971
2021	\$ -
Thereafter	\$ -

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

E. G. FISHER PUBLIC LIBRARY
Schedule of Changes in E.G. Fisher Public Library's Net Pension Liability (Asset)
and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS
June 30, 2016

Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>
<u>Total pension liability (asset)</u>		
Service cost	\$ 13,363	\$ 14,487
Interest	41,976	44,133
Changes in benefit terms	-	-
Differences between actual and expected experience	(22,110)	8,207
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(5,558)</u>	<u>(5,642)</u>
Net change in total pension liability (asset)	27,671	61,185
Total pension liability (asset) - beginning	<u>549,097</u>	<u>576,768</u>
Total pension liability (asset) - ending (a)	<u>\$ 576,768</u>	<u>\$ 637,953</u>
 <u>Plan fiduciary net position</u>		
Contributions - employer	\$ 7,444	\$ 12,694
Contributions - employee	5,506	6,097
Net investment income	62,434	13,833
Benefit payments, including refunds of employee contributions	(5,558)	(5,642)
Administrative expense	(160)	(203)
Other	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	69,666	26,779
Plan fiduciary net position - beginning	<u>373,001</u>	<u>442,667</u>
Plan fiduciary net position - ending (b)	<u>\$ 442,667</u>	<u>\$ 469,446</u>
 Net Pension Liability (asset) - ending (a) - (b)	<u>\$ 134,101</u>	<u>\$ 168,507</u>
 Plan fiduciary net position as a percentage of total pension liability	76.75%	73.59%
 Covered payroll	\$ 110,114	\$ 121,939
 Net pension liability (asset) as a percentage of covered payroll	121.78%	138.19%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

E. G. FISHER PUBLIC LIBRARY
Schedule of E.G. Fisher Public Library's Contributions Based on
Participation in the Public Employee Pension Plan of TCRS
June 30, 2016

Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 7,444	\$ 12,694	\$ 12,111
Contributions in relation to the actuarially determined contribution	<u>7,444</u>	<u>12,694</u>	<u>12,111</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	 \$ 110,114	 \$ 121,939	 \$ 76,200
 Contributions as a percentage covered payroll	 6.76%	 10.41%	 15.89%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

E. G. FISHER PUBLIC LIBRARY
Schedule of E.G. Fisher Public Library's Contributions Based on
Participation in the Public Employee Pension Plan of TCRS (Continued)
June 30, 2016

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	20 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustment	2.5 percent

III. INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public
Accountants

301 N. Market
Chattanooga, TN
37405

Office: 423-756-1170
Fax: 423-756-1436
www.jmw-cpa.com

Members
American Institute
of Certified
Public Accountants

Paul Johnson, III, CPA

Brian T. Wright, CPA

Karen Hutcherson, CPA

Marianne Greene, CPA

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
E.G. Fisher Public Library

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the E.G. Fisher Public Library as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the E.G. Fisher Public Library's basic financial statements and have issued our report thereon dated November 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the E.G. Fisher Public Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the E.G. Fisher Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the E.G. Fisher Public Library's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
E.G. Fisher Public Library
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the E.G. Fisher Public Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Johnson, Murphy & Wright, P.C.

Chattanooga, Tennessee
November 28, 2016

E.G. FISHER PUBLIC LIBRARY
Schedule of Findings and Responses
June 30, 2016

SUMMARY OF AUDIT RESULTS

Opinion:

Unmodified opinion issued on the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Deficiencies:

None disclosed.

Material Noncompliance:

No material noncompliance was disclosed.

E.G. FISHER PUBLIC LIBRARY
Schedule of Prior Audit Findings
June 30, 2016

INTERNAL CONTROL:

2015-001 - Approvals and documentation

Corrected.

COMPLIANCE:

None disclosed.